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DATAMATION®
JANUARY 1, 1988
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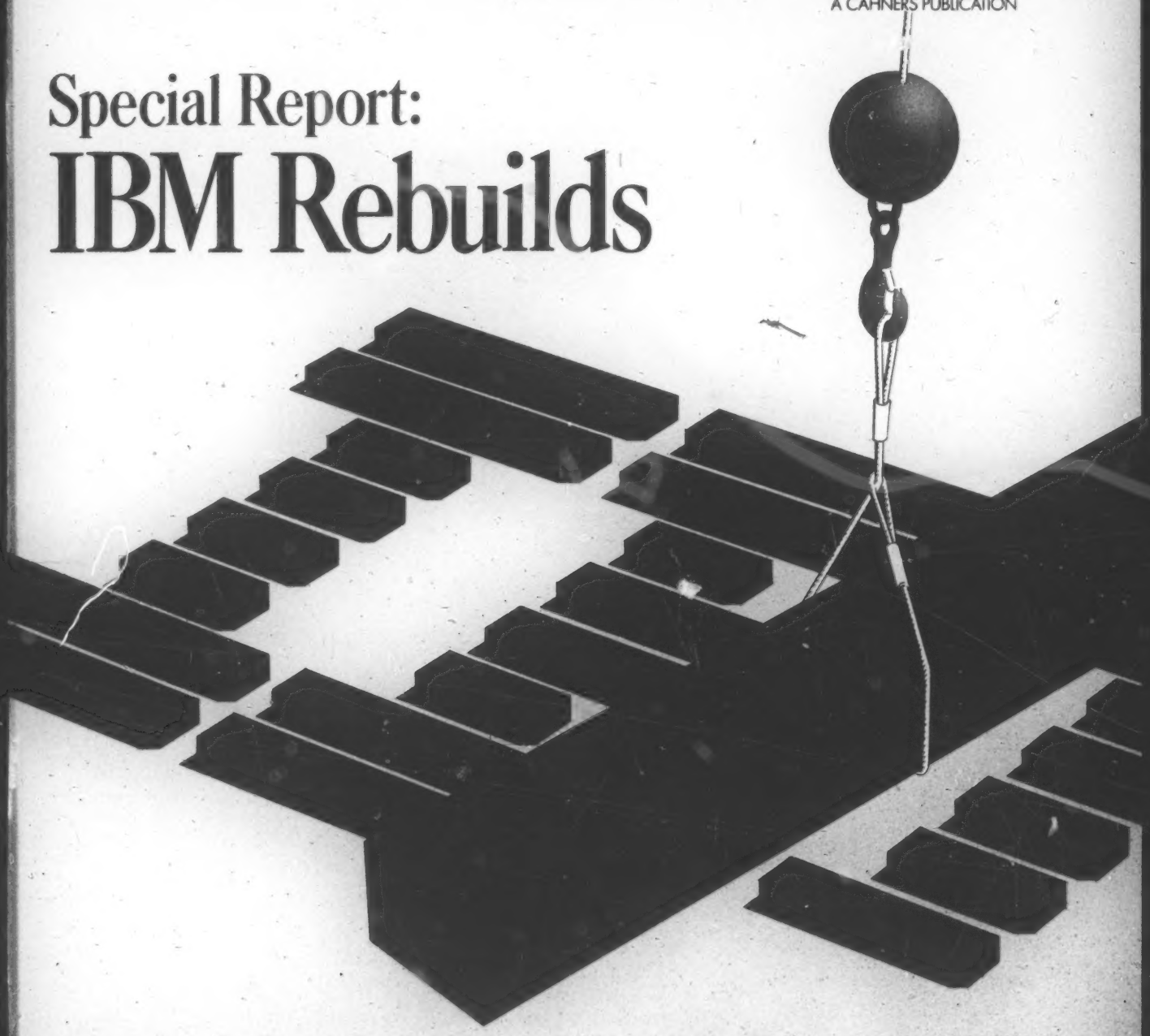
# Special Report:
# IBM Rebuilds



**IBM'S BUILDING BLOCKS:**

- MARKETING—Selling Solutions
- PRODUCTS—Promise and Promises
- ORGANIZATION—What It Means to Customers
- TRADE SECRETS—How IBM Controls Information

# DATAMATION

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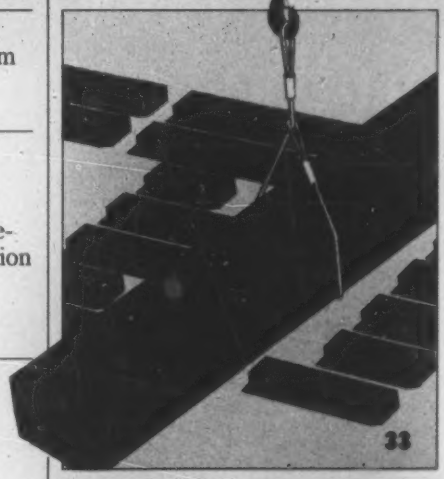

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## Editorial

# Unhappy New Year For the Irresolute

Customers and vendors enter 1988 with several clouds hanging over their heads. Will the crash of '87 infect every industry, weakening an already jittery economy to the point of recession? Will standards finally emerge, eliminating the need to invest in proprietary technology? Are all those outlays for information technology really paying off or are they just adding to overhead? Those who just wait for the clouds to dissipate are going to find themselves in trouble once this storm of uncertainty passes. They will have wasted precious time while competitors willing to brave the elements will be poised to take advantage of the new dawn. In the spirit of decisiveness, DATAMATION offers some New Year's resolutions for some important customers and vendors, which we would like to see them make and keep in 1988.

**Customers: Manage the Goods Better**

*American Express:* Fire lazy brokers and keep productive systems analysts from E.F. Hutton.

*Citibank:* Continue to lead global service companies in information technology's strategic use.

*General Motors:* Work with EDS, not against it.

*R.H. Macy & Co.:* Emulate Sears and J.C. Penney in managing information systems.

*Nomura Securities:* Cross-fertilize U.S. and Japanese operations with the information technology lessons learned in both regions.

*Utilities:* Use newfound celebrity status on the NYSE to raise money via equity offerings to underwrite long overdue systems upgrades.

*The U.S. government:* Pay competitive wages to programmers and other IS professionals.

**Vendors: Deliver Them Sooner**

*Computer Associates:* Make an effort to explain product direction better and resist becoming inflexible.

*DG:* Resurrect the soul of the old machines.

*Dataproducts and Genicom:* Broaden knowledge of end-user printer needs.

*IBM:* Deliver on SAA.

*Microsoft:* Persuade IBM to license communications and database features of OS/2 Extended Edition to other pc manufacturers.

*Nixdorf:* Treat the U.S. subsidiary as a strategic unit.

*Oracle:* Become a two-product company.

*Xerox and Wang:* Produce the affordable imaging systems technologies that businesses need.

Tim Mead

TIM MEAD
EDITOR-IN-CHIEF

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# Letters

## Not Moving

I wish to correct several statements attributed to me in "Can Unisys Move Fast Enough To Retain 1100 User Loyalty?" (Oct. 15, p. 17).

Baxter Edwards Divisions has been a Sperry 1100 user since 1980 and is *not* considering a move to IBM or Digital Equipment Corp. We have one application that will be moved from the 1100 to a DEC VAX only because the application software is no longer supported on Sperry equipment by McCormack & Dodge.

Four years ago, we looked at converting to IBM equipment because corporate standards are IBM, but the cost to convert was enormous compared with the benefit we may have derived. We committed to staying on Sperry equipment. We haven't reversed that decision.

Fourth generation languages and report writers for the 1100 system are not as abundant as for IBM, but they do exist. Mapper works very well on 1100 equipment for many applications. With the merger of Sperry and Burroughs into Unisys, more and more third-party software houses are modifying their software to work on Unisys equipment. Unisys is also modifying its Mapper and LINC software to work on both the 1100 and A&V series equipment.

ROD GUFFEY
Manager, Technical Services
Edwards Divisions
Baxter Healthcare Corp.
Santa Ana, Calif.

## Formula for Success

In "Users Report Service Problems With Digital's High-End Systems" (Oct. 1, p. 17), Gary McWilliams reports on some issues surrounding the VAX 8700 system. The resolution of these issues has resulted primarily from frank, open, and extensive discussions between Digital's management and engineers and our customers.

Indeed, Digital users are perhaps the industry's most organized and actively involved with their vendor. It is often through forums like the New York VAX 8700 meeting that customer issues are discussed directly with Digital management, any situations needing attention are resolved, and new services and programs are developed to meet customer needs.

Unfortunately, this customer/vendor interaction is underplayed in the article. The VAX 8700 situation is inappropriately positioned in the article, since what is described is not representative of Digital's service capabilities in the large-systems arena. In fact, one of the reasons that Digital consistently ranks at the top of independent customer satisfaction surveys is that we encourage two-way communication through regular customer surveys, formal user groups, and electronic information networks.

Although no manufacturer can eliminate service problems altogether, Digital minimizes them by listening to, and working with, our customers. This has been our formula for success in the past and will continue to be the cornerstone for our business philosophy for the future.

DAVID W. GRAINGER
Vice President
Corporate Field Service
Digital Equipment Corp.
Stow, Mass.

## Looking Back

TWENTY-FIVE YEARS AGO IN DATAMATION: "The fact that prejudice exists against women in business is generally evident but whether it has been overcome in programming or simply underplayed . . . is a matter for conjecture.

"As a rule, employment practice in edp places greater emphasis on education and experience rather than on the applicant's sex . . . [some] have found that women are less aggressive and more content to remain in one position. Many women choose not to advance in position and feel that even if they were offered a promotion to a supervisory capacity, they would refuse the job because it is not as important for them to have higher salaries and the prestige of an impressive title. . . .

"It is generally felt that the most undesirable category of programmers is in the female about 21 years old and unmarried. One supervisor claimed that he had a girl in this category who wrote bug-free programs early in the week but during the latter part of the week her error rate increased substantially. In an interview, she stated that when she would start thinking about her social commitments for the weekend, her work suffered proportionately." (From "The Woman Programmer—A Subjective Reflection," by Valerie Rockmael, January 1963, p. 41.)

people to meet deadlines. Security doesn't get the kind of focus it would. You have to trust people."

Companies that have contracts or desire to do business with the government are given security classifications, such as "secret" or "top secret," usually when they are dealing with the Department of Defense or the Department of Energy. The classifications carry certain security requirements. ETA Systems, the supercomputer subsidiary of Control Data Corp., has a "secret" classification because it has a contract with NASA.

Steve Hemping, ETA's security officer, says the company has internal security policies as well. In addition to plant security, ETA keeps a log on manuals and equipment, and employees are required to sign a nondisclosure, noncompete document that prohibits them from sharing information with individuals outside the company. However, as he points out, "It's not fail-safe."

In the aftermath of the Saxpy case, companies are paying closer attention to security, although there's a general feeling that there are limits on what companies can do to prevent something like it from happening again. "The role people play in security is more important, they are becoming more involved in security," says Saxpy's Viola. "As we look back, there are things that occurred, things that people saw, that might have been good to know about." He doesn't elaborate.

Ironically, the publicity surrounding the case has probably helped Saxpy more than hurt it. Viola does not deny this. "We couldn't have afforded to buy this recognition. We're trying to get off the ground, so publicity can't hurt us," he says. "But there's a downside, too, about security. You ask yourself, 'How did this happen?' " ■

**MICROCOMPUTERS**

# After Government Success, Zenith Eyes the Business Market

## The electronic giant's Data Systems unit, armed with a revamped distribution strategy, is betting it can make inroads into the price-competitive commercial arena.

**ZENITH'S FRANK: He developed the company's new marketing strategy.**

BY ROBERT FRANCIS

By most accounts, the battle lines in the world of personal computers are mapped out like this: Big Blue battles upstart Compaq on the MS/DOS front and takes on Little Red, i.e., Apple, on another front, where the rules (operating systems) are entirely different. All the while, they each fight small skirmishes with the ominous "others," those pc makers with market share percentages deemed too small to list, yet which collectively represent a substantial amount.

One personal computer manufacturer in particular, Zenith Data Systems in Mount Prospect, Ill., tends to be left out of the battle plans. The company holds less market share in the business market than Compaq Computer Corp., Houston, but more than Tandy Corp. Despite its lack of notoriety, Zenith Data Systems is willing to play the tortoise in a world of would-be hares.

For the first time in its eight-year history, Zenith Data Systems expects its sales—primarily from the government and education sectors—to top $1 billion in 1987. When revenues are reported for the year ending Dec. 31, 1987, the division expects to provide fully half of the revenue for its corporate parent, Zenith Electronics Corp., Glenview, Ill.

"Consider how few pc manufacturers will do $1 billion in business [in 1987]: IBM, Apple, Tandy, Compaq, and Zenith," says John P. Frank, who earlier this year was named president of Zenith Data Systems, upon Robert P. Dilworth's resignation. "We're right up there, yet you often don't see us listed very high because we don't have a strong presence in the retail market, and most market research comes from retail sales," he says.

Frank had been senior vp for sales and marketing before taking his present position, and he is credited with developing the computer division's new marketing strategy to increase the focus on the corporate world.

Zenith Data Systems' lack of presence in the retail market may seem like an anomaly to those familiar with the strong presence of the parent company and its consumer electronics division in

Photograph by Steve Leonard

the retail area. Yet, until recently, the computer division's attempts to crack the consumer market were greeted with little fanfare. Last year, Zenith began a process of revamping its retail distribution. It signed agreements with major national chains specializing in computers and the company will now sell its products directly to these outlets, rather than through independent distributors in a two-tier approach.

Earlier this year, the company introduced the eaZy Pc, geared for the first-time user, for the retail market.

#### Payoffs in '88 and '89

For its dealings with the corporate world—its Fortune 1000 program—Zenith has done some revamping as well. Now, most of Zenith Data Systems' corporate accounts will be handled by Zenith's dealer organization, with only a few accounts handled directly by Zenith's sales force. "It's a long-term process," Frank says. "We'll see some payoff on this in 1987, but more of it will pay off in 1988 and 1989." Previously, the company and its dealer organization handled sales to Fortune 1000 customers, and the two would sometimes end up competing with each other, notes Frank. Zenith's sales staff will now work with its dealer network to crack the business market.

Analysts at Faulkner Technical Reports Inc., a Pennsauken, N.J.-based industry research group, say that Zenith is correct in making adjustments to its business marketing strategy. They say that at one time, it was difficult for some business users to locate a Zenith dealer, even in some major metropolitan areas. Zenith's recent changes in its distribution strategy may affect that, but it won't happen overnight, Faulkner analysts contend, and Zenith's Frank agrees.

Faulkner's "Microcomputers and Software Report" says that users generally rate Zenith very high on IBM PC compatibility and in keyboard and screen design. "Zenith's pricing is good," says the report's assistant editor, Jerry Caron, "so they do well in the lower-end markets, but they also have some high-end products that have good price/performance characteristics. And, like other companies—even Apple— they have seen the obvious need to go after the corporate market. Their chances are good to make an impact there. At the moment, the main problem is that they're not known that well in the corporate markets."

Zenith has already pried open the door to the corporate world to some degree. Last year, it supplied some 900 Z-159 desktop pcs and 40 Z-183 laptops to Kawasaki Motors Corp. U.S.A. in Irvine, Calif. The pcs have been distributed to Kawasaki's dealer network for use in an on-line parts system the company installed in March 1987, and the laptops are being used by the sales force.

According to the 1987 DATAMATION/Cowen & Co. mini/micro survey, Zenith has 3% of the sites with pcs, but for sites that expect to purchase computers by the end of 1988, Zenith is projected to hold 4% of the total (see "Zenith Gains in Planned Purchases of Pcs").

#### Aggressive in School Markets

For the education market, Zenith has been making a larger push into the kindergarten through high school arena, where its major competitor is Apple Computer Inc., and where IBM, Tandy, and Commodore also pose a formidable front. Because of heavy discounting in this market, Zenith has launched an aggressive pricing and support program. In the college market, where MS/DOS machines are more the status quo than Apples, Zenith considers itself on an equal footing with IBM.

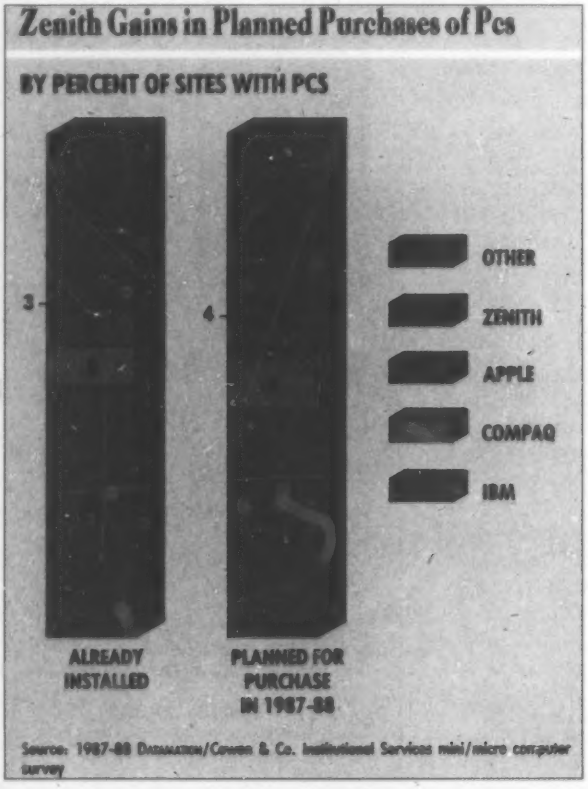
One market in which Zenith has been successful is the federal government. Zenith is currently the largest supplier of pcs to the U.S. government, according to market research firm Dataquest Inc., San Jose. An early success in that area was a $30 million contract to provide the Air Force with 6,000 Z-100 pcs. That order was won just three years after Zenith's purchase of Heath Co. in late 1979.

The purchase of Heath represented an effort by Zenith's board of directors to diversify outside of consumer electronics. Heath, which was known primarily for its mail-order consumer electronics products, was offering a computer that Zenith eventually used as the foundation for its Computer Systems Div. Heath also had a chain of consumer electronics stores, which Zenith still uses to market its computers.

Zenith Data Systems' success in the government market has continued. In late August 1987, it received a three-year, $104 million contract to supply laptop computers to the Department of Defense. Under the terms of the contract, Zenith will supply 90,000 of its Z-180 laptops to the U.S. armed forces.

"We focused on the government fairly early, and on that first contract [in 1983], we ended up shipping 40,000 computers. That was a fairly fast start for a company that had really only gotten involved in the business three years earlier. And, in 1980, if you remember," Frank adds, "every time you opened up the newspaper, someone was getting into computers." ■

**Zenith Gains in Planned Purchases of Pcs**




Source: 1987-88 DATAMATION/Cowen & Co. Institutional Services mini/micro computer survey